Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from RPI (Realty Publications, Inc.)

November 2020 • Vol. 10 • Issue 11 • ***Low interest rates are here to stay, spurring refinancing***

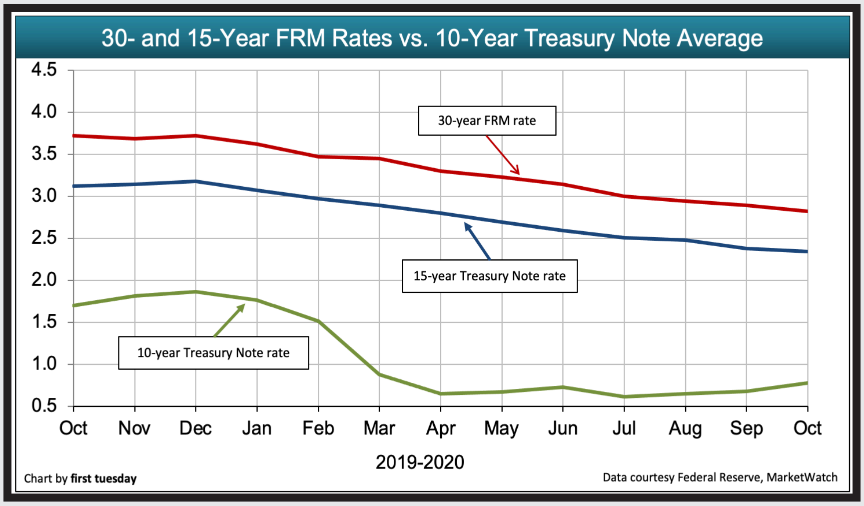
Presented by
Name
DRE #
Phone
Email

Interest rates hit historic lows for mortgages

This chart shows the average **monthly interest rate** on a 30-year fixed rate mortgage (FRM), 15-year FRM and 10-year Treasury (T-) Note.

The 30-year FRM rate averaged 2.82% and the 15-year FRM rate averaged 2.34% in October 2020. The 10-year T-Note is influenced by Bond market investors. This rate, along with the Federal Reserve's (the Fed's) **benchmark rate**, are strong indicators of FRM rate movement. The average 10-year T-Note has hovered near historic lows since April 2020. During that same time, FRM rates have steadily declined, presently controlled by the Fed.

Expect interest rates to remain low throughout the **2020 recession** and well into the recovery as the Fed works to keep rates low to stimulate lending.

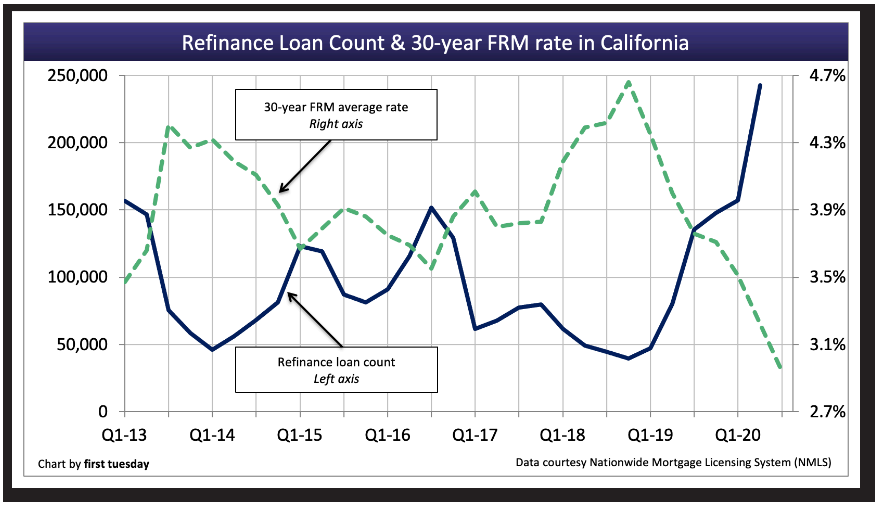


Plummeting interest rates send refinances soaring

This chart shows the number of **mortgages refinanced** in California, alongside the quarterly average 30-year fixed rate mortgage (FRM) rate.

242,800 mortgages were refinanced in Q2 2020, three times the 80,000 mortgage refinances closed one year earlier. In the interim, FRM rates dropped to historic lows. As a result, refinances made up **79% of all mortgage originations** in Q2 2020, up from the 50% share seen a year earlier.

Expect refinancing to continue to make up an oversized **market share** of mortgage originations in 2020 and early 2021, reflecting fewer home sales and the continued lure of low interest rates.

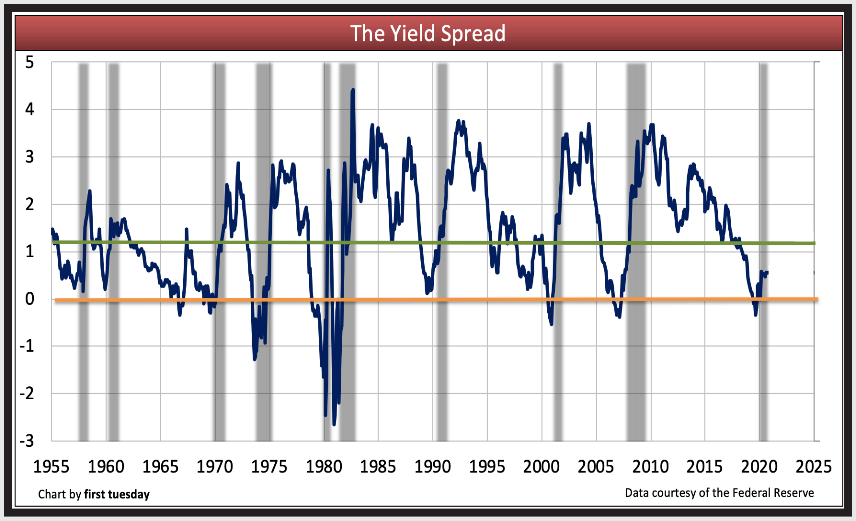


The yield spread forecasts the long recovery ahead

This chart shows the **yield spread**, which indicates the likelihood of a recession or recovery one year forward. The gray columns indicate economic recessions.

After over a decade of positive activity, the yield spread went negative in mid-2019 for an extended time, **forecasting a recession** to arrive one year hence. As a forecast for one year forward, today's yield spread does not indicate a deepening recession or the beginning of a recovery.

The Federal Reserve (the Fed) will ensure interest rates remain low through at least 2023, which has boosted refinances and, thus far, **home prices**. But California's housing market will first need to emerge from the underlying recession and financial market crash before home sales regain momentum.



Click on any chart for more information!

Click to Print